

## IN THE MATTER OF FACTFINDING BETWEEN

Decatur County, )  
Public Employer, )

and )

Public Professional and )  
Maintenance Employees, )  
Local 2003, I.U.P.A.T., )  
Employee Organization. )**FACT FINDER'S RECOMMENDATION**

Terry D. Loeschen, Fact Finder

**I. APPEARANCES****For the Employer:**Renee Von Bokern, Bargaining Representative  
J.R. Cornett, County Supervisor  
Larry Eastin, County Supervisor  
Gary Stripe, County Supervisor  
Richard D. McKnight, County Engineer**For the Employee Organization:**Randall D. Schultz, Business Representative  
Doyle Deemer, Union Representative  
Anthony Roy Young, Union Representative**II. AUTHORITY AND JURISDICTION**

This proceeding arises under the provisions of the Iowa Public Employment Relations Act (Iowa Code Chapter 20, hereafter referred to as "Act"). Decatur County (hereafter referred to as "Employer" or "County"), and Public Professional and Maintenance Employees Local 2003, I.U.P.A.T. (hereafter referred to as "Union" or "Employees"), have been unable to agree upon certain provisions required to be re-negotiated for the second year of a two year collective bargaining agreement (2004-2005). The Public Employment

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Relations Board (hereafter referred to as "Board") appointed a Mediator to mediate the impasse dispute between the parties, and mediation occurred on February 20, 2004. The mediation was unsuccessful. The parties selected the undersigned as Fact Finder to make written findings of fact and recommendations for the resolution of the impasse dispute in accordance with Section 21 of the Act.

A Fact Finding hearing was held at Leon, Iowa, on Tuesday, March 29, 2004, and was completed the same day. At the hearing the parties submitted their final fact finding proposals for two items at impasse, which are wages and insurance.

The parties stipulated that this matter was properly before the Fact Finder and that the Fact Finder had jurisdiction to issue a recommendation. During the hearing both parties were provided a full opportunity to present evidence, exhibits and argument in support of their respective positions. The hearing was tape recorded in accordance with the regulations of the Board. Upon conclusion of the presentation of the evidence and statements by the parties, the record was closed and the case was deemed under submission.

### **III. BACKGROUND**

The Employer, Decatur County, is a political subdivision of the State of Iowa and is located in the southern most tier of counties in the central portion of the state. The Union was recognized as a certified bargaining representative for the County Roads Department by the Board on July 28, 1976. It is the only organized bargaining unit, and all other employees of Decatur County meet and confer with respect to wages and other conditions of their employment. The Union and the County have entered into a series of collective bargaining

agreements over a period of approximately twenty-eight years. To the best recollection of the Union representative, in that time period there have been two fact findings which occurred between the parties. (Union Exhibits 14 and 15).

The parties are currently operating under a two year collective bargaining agreement for a time period from July 1, 2003 through June 30, 2005. That agreement requires that wage rates and insurance be re-negotiated for the second contract year of July 1, 2004 through June 30, 2005. There is no contract re-opener with respect to any other terms or conditions.

The parties held two bargaining sessions and mediation occurred on February 20, 2004. None of these meetings resulted in agreement on the impasse items for the second year of the present contract.

The parties have a written agreement to extend the statutory impasse deadline to May 15, 2004.

#### **IV. STATUTORY CRITERIA**

There are no explicit criteria in the Act by which a fact finder is to judge the reasonableness of the parties' proposals when formulating his or her recommendations. It is generally understood, however, that the Iowa legislature intended that fact finders formulate recommendations based upon the statutory criteria for arbitration awards contained in Section 22.9 of the Act. That Section provides that a panel of arbitrators shall consider, in addition to any other relevant factors, the following factors:

- a. Past collective bargaining contracts between the parties including the

bargaining that led to such contracts.

- b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.
- c. The interest and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of adjustments on the normal standard of services.
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operation.

(Iowa Code § 20.22)

Also, Section 20.17(6) of the Act provides: "No collective bargaining agreement or arbitrator's decision shall be valid and enforceable if its implementation would be inconsistent with any statutory limitation on the public employer's funds, spending budget or would substantially impair or limit the performance of any statutory duty by the public employer."

The recommendations contained in this report have been made with due regard to the above statutory criteria. However, because the County did not assert an inability to fund any proposals presented, ability to pay was not a primary factor in any of the recommendations made below. Consideration was given, however, to the County's stated financial limitations. The fact finding process, unlike arbitration, permits a fact finder to select one of the parties'

positions or reject both of the parties' positions and create a recommended third solution to the issue at impasse. It is also permissible for the fact finder to consider the joint impact of separate issues, particularly where those issues involve economic impact.

## V. IMPASSE ISSUES

The two issues at impasse presented by the parties are: (1) wages - Article 23 and Exhibit A - current contract, and (2) insurance - Article 24 current contract. As stated above, these issues were presented pursuant to the requirement that those items be re-negotiated for the second year of a two year agreement.

### A. WAGES

#### 1. CURRENT CONTRACT

#### ARTICLE 23

#### JOB CLASSIFICATIONS AND STRAIGHT TIME HOURLY WAGE RATES

Reference is made here to Exhibit A, Job Classifications and Straight Time Hourly Wage Rates. By this reference, said Exhibit becomes a part of this Agreement.

#### EXHIBIT A

#### JOB CLASSIFICATIONS AND STRAIGHT TIME HOURLY WAGE RATES

<u>Job Classification</u>	Hourly Wage Rates Effective	
	<u>July 1, 2002</u>	<u>July 1, 2003</u>
Working Foreman (culvert and bridge)	\$14.68	\$15.09
Working Foreman (yard)	\$14.46	\$14.89
Instrumentman-Surveyor	\$15.11	\$15.54
Engineering Technician	\$14.72	\$15.15

Inspector	\$14.72	\$15.15
Rodman	\$14.33	\$14.76
Mechanic II	\$14.66	\$15.09
Mechanic I	\$14.33	\$14.76
Equipment Operator III	\$14.40	\$14.83
Equipment Operator II	\$14.40	\$14.83
Equipment Operator I	\$14.33	\$14.76
Laborer II	\$14.33	\$14.76
Laborer I	\$13.50	\$13.93

(after 6 months if performing satisfactory, go to Laborer II classification. this 6 month period can be extended by mutual agreement.)

The Patrol. District Operator's hourly wage rates will be \$14.95 effective July 1, 2003.

While performing asphalt distributor, over 1,000 gallon fuel truck, and pesticide truck sprayer applicator work, the employee will receive twenty-five cents (\$.25) per hour above the employee's assigned classification rate of pay. Only one (1) employee per involved vehicle will qualify for this extra pay.

When an employee performs work on bridge construction or bridge maintenance the employee is to be paid twenty five cents (\$.25) extra per hour for each hour worked in this capacity.

## 2. UNION PROPOSAL

1. ARTICLE 23, Job Classification and Straight Time Hourly Wage Rates  
Increase all hourly wage rates as set out in Exhibit A, Wage Schedule, by \$0.45 (3.0% averaged across-the-board) effective July 1, 2004.

## 3. EMPLOYER PROPOSAL

No change to current wage rates.

## B. INSURANCE

### 1. CURRENT CONTRACT

After an employee has been employed by the Employer for thirty (30) calendar days, the Employer shall provide health insurance coverage under the Alliance Select 500 (Plan 5 ISAC) or a Plan with comparable coverage and benefit levels. The health insurance coverage includes a \$25,000 death and dismemberment provision and \$500/\$1,000 deductible.

The Employer agrees to continue paying the premium for \$14,000 of Term Life Insurance for each eligible regular full-time employee.

The Employer will pay the entire single coverage premium for a regular full-time employee. An employee will be provided the opportunity to purchase coverage by paying the full family premium less the single premium.

The employee is responsible for paying the single deductible for \$250.00 and the family deductible of \$500.00. Effective 7-1-02, the employee is responsible for paying a \$300.00 deductible for single coverage and \$600.00 deductible for family coverage. The County Co-Fund will pay co-insurance amounts above the deductible.

The Employer maintains the right to select the insurance carriers.

The employee may voluntarily participate in the IRS Section 125 plan as it relates to dependent insurance premiums paid by the employee.

### 2. UNION PROPOSAL

#### ARTICLE 24, Insurance

Current contract.

(Plan 5 ISAC will not be offered after June 30, 2004, however contract language is based upon specific coverage and benefit levels.)

### 3. EMPLOYER PROPOSAL

#### Insurance

After an employee has been employed by the Employer for thirty (30) calendar days, the Employer shall provide health insurance coverage under the Alliance Select 750 (Plan 9 ISAC) or a Plan with comparable coverage and benefit levels. The health insurance coverage includes a \$25,000 death and dismemberment provision and \$750/\$1,500 deductible.

The Employer agrees to continue paying the premium for \$14,000 of Term Life Insurance for each eligible regular full-time employee.

The Employer will pay the entire single coverage premium for a regular full-time employee. An employee will be provided the opportunity to purchase coverage by paying the full family premium less the single premium.

The employee is responsible for paying the single deductible for \$300.00 for single coverage and \$600.00 for family coverage. The County Co-Fund will pay additional deductible amounts of \$450.00 for single coverage and \$900.00 for family coverage provided there are monies available in the County Co-Fund. The employee is responsible for all other co-insurance amounts.

The Employer maintains the right to select the insurance carriers.

The employee may voluntarily participate in the IRS Section 125 plan as it relates to dependent insurance premiums paid by the employee.

## **VI. FINDINGS OF FACT AND DISCUSSION**

### **A. WAGES**

As is stated above, one of the statutory criteria for arbitrators is a comparison of wages, hours, and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved. This criteria, of necessity, generates the question of an appropriate comparability group. The obvious objective is a comparison of like kind persons doing like kind work, while still giving consideration to factors unique to the area where those persons are actually employed.

In the present case, the comparability groups presented by the parties are not dissimilar to any significant degree. The Union proposes a comparability group consisting of the following counties: Appanoose, Wayne, Taylor, Ringgold, Union, Lucas, Monroe,



Clarke and Adams. These counties are all within close geographic proximity to Decatur County, with Taylor and Ringgold being located in the southern most tier along the state line to the west and Wayne and Appanoose being located in the southern tier along the state line to the east. Adams, Union, Clarke, Lucas and Monroe are in the second tier above Decatur County with Clarke abutting, Adams and Union to the west and Lucas and Monroe to the east. In essence the Union's proposed comparability group constitutes a contiguous block of ten counties when Decatur is included. All are relatively close in population size, with the exception of Adams and perhaps Ringgold.

The County proposes the same comparability group, with the exception of Adams County. The County contends that the population of that county is simply too low to provide a valid comparison.

The Union contends that the group of counties selected have similar groups of employees, all are within relatively close geographic proximity, all share similar economic influences, farming is the predominate industry and businesses depend upon a farm economy.

The Employer, while presenting the same counties with the exception of Adams, nonetheless contends that not all counties are equal. The Employer asserts that it is not necessarily "fair" to base settlements simply on what neighboring counties provide their employees because that approach is too simplistic and does not recognize the fact that there are differences between counties even when in close geographic proximity. The County requests the Fact-Finder to take into consideration differences in per capita personal income

and tax revenues with respect to the counties within the comparability group. For example, the County claims that a higher per capita income indicates a healthier local economy, which reflects a greater ability to fund employee wages and benefits.

This Fact-Finder has considered the County's contention that among the comparability group it has the lowest per capita personal income (County Exhibit 1). It should be noted however that the only reports available to the County in its analysis were based upon the year 2001. Therefore the County was unable to provide data for 2002 or 2003. County Exhibit 2 shows that Decatur County suffered a loss of tax revenues from fiscal year 2003 to fiscal year 2005 in the sum of \$154,037.00. This is the largest decrease in tax revenues among the County's comparability group.

Also the Fact-Finder is cognizant of the County's contention that Chapter 20 (the Act) was simplistic when first enacted and that the Fact-Finder is urged not to only look at comparability as the sole criteria for a recommendation. Regardless of whether the Act is regarded as simplistic, the criteria for comparability does include the phrase "giving consideration to factors peculiar to the area". That modification of the overall standard for comparability has been given careful consideration by the Fact-Finder in the present case.

Both parties base their wage rate comparisons with comparable counties on the patrol operator wage. The undersigned finds that the current patrol operator wage rates for Decatur County are the highest of all comparable counties. However, no evidence was presented by either side as to the length of time this has been the case. Therefore it is not feasible to approach this ranking of wages from a historical perspective.

The Union proposes an hourly wage increase of 45¢ per hour or 3% averaged across-the-board, using patrol operator wages as its benchmark. The County proposes a -0- wage increase. The County contends that no wage increase should be granted due to the fact that its patrol operators already enjoy the highest wage of the comparable counties. As is reflected on County Exhibit 4, the County states: "Are these surrounding counties comparable? If so, let's let the surrounding counties catch up to Decatur County." Again, no facts were presented to indicate the length of time that Decatur County operators have enjoyed the highest wage rate.

By its comparability exhibit, the Union asserts that known comparable wage increases averaged 2.42% (Union Exhibit 5). The County asserts that the average is 2.3% because the Wayne County settlement was a split year settlement which should be calculated as 2.6% and not 3.28%. Therefore, the Fact-Finder is faced with competing average wage settlements of 2.42% versus 2.3%. One-tenth of 1% is not an extreme difference in those averages.

The Union contends that the County can afford its wage proposal. It argues that the County has not increased its taxing authority to generate additional revenue. The rural basic levy is not at its maximum amount. The Union states that this precludes utilizing the rural supplemental levy. The Union concludes that if the rural supplemental levy were in place it could be utilized for unemployment compensation payments, IPERS, FICA, and insurance costs thereby freeing general funds for salary expense. The County counters that Union position with its contention that the 1% option tax was presented to the voters to partially replace the rural basic levy and that voter approval was based upon that premise. The

County contends that it has an obligation to the voting public to not increase the rural basic levy to the maximum amount. The Union asserts that the County has an estimated unspent balance of \$691,461.00. The County disputes that amount as accurate and asserts that the unspent balance will be reduced by another \$197,000.00. The County contends that it is not fiscally prudent to spend all of the remaining unspent balance.

An appropriate wage increase versus a "wage freeze" must be balanced against both comparability and economic factors peculiar to the area. At the same time consideration must be given to the interest and welfare of the public and the ability of the County to finance any wage adjustments. The undersigned does find that the County is capable of funding the Union wage proposal. However, the inquiry does not end there. The more significant question is what is the most reasonable wage adjustment in terms of comparability and local economic factors.

The difficulty of the question is compounded by the issue of insurance as will be later discussed. In most instances where current insurance benefits are maintained for a subsequent contract year then a lesser increase in wages is warranted. However, if there are significant changes in the cost sharing of insurance benefits between an employer and its employees, then a larger wage adjustment may be justified to lessen the financial burden placed upon employees in assuming costs that they were not previously obligated to pay. Stated another way, one must determine whether there is sufficient quid pro quo for requested changes in insurance which allow employees to absorb the financial impact of those changes without incurring serious economic damage. Therefore, wage rates are

inevitably linked to shared insurance costs when changes in cost sharing are being proposed.

In the present case because the Fact-Finder's recommendation on insurance does not amount to a drastic change in the insurance status quo a lesser wage rate than that requested by the Union is justified. I find the County's financial limitations are not so drastic as to justify no increase in wages.

Based on the foregoing I recommend that wage rates be increased for bargaining unit employees by 36¢ per hour across-the-board.

### **WAGE RECOMMENDATION**

The Fact-Finder's wage recommendation in terms of specific contract language is as follows:

#### **ARTICLE 23**

#### **JOB CLASSIFICATIONS AND STRAIGHT TIME HOURLY WAGE RATES**

Reference is made here to Exhibit A, Job Classifications and Straight Time Hourly Wage Rates. By this reference, said Exhibit becomes a part of this Agreement.

#### **EXHIBIT A**

#### **JOB CLASSIFICATIONS AND STRAIGHT TIME HOURLY WAGE RATES**

<u>Job Classification</u>	<u>Hourly Wage Rates Effective July 1, 2004</u>
Working Foreman (culvert and bridge)	\$15.45
Working Foreman (yard)	\$15.25
Instrumentman-Surveyor	\$15.90
Engineering Technician	\$15.51

Inspector	\$15.51
Rodman	\$15.12
Mechanic II	\$15.45
Mechanic I	\$15.12
Equipment Operator III	\$15.19
Equipment Operator II	\$15.19
Equipment Operator I	\$15.12
Laborer II	\$15.12
Laborer I	\$14.29

(after 6 months if performing satisfactory, go to Laborer II classification. this 6 month period can be extended by mutual agreement.)

The Patrol. District Operator's hourly wage rates will be \$15.31 effective July 1, 2004.

While performing asphalt distributor, over 1,000 gallon fuel truck, and pesticide truck sprayer applicator work, the employee will receive twenty-five cents (\$.25) per hour above the employee's assigned classification rate of pay. Only one (1) employee per involved vehicle will qualify for this extra pay.

When an employee performs work on bridge construction or bridge maintenance the employee is to be paid twenty five cents (\$.25) extra per hour for each hour worked in this capacity.

### B. INSURANCE

Decatur County currently provides health insurance for its employees through the Iowa State Association of Counties (ISAC) group health Plan 5. ISAC offers a variety of health insurance plans to participatory counties and through ISAC the County purchases Wellmark Plan 5 which is an Alliance Select plan. Both the Union and the County agree that ISAC Plan 5 will not be offered to participating counties after June 30, 2004. In fact the evidence is undisputed that ISAC Plans 1-7 are being eliminated as of that date. The

elimination of current Plan 5 along with others has polarized the parties with respect to the insurance impasse.

The Union's fact finding proposal is, in essence, a continuation of ISAC Plan 5 but because that plan is not available through ISAC, the Union position presupposes the County will have to obtain the same coverage from some other source. No evidence was presented as to whether or not this could be accomplished. The Fact-Finder has determined that it is necessary to obtain some form of replacement coverage.

In contrast, the County's fact finding proposal is to change to ISAC Plan 9 which, of necessity, would result in higher deductibles, higher co-payments, greater out of pocket maximums and increased prescription drug costs. In addition, the County proposes in connection with Plan 9 that a current buy down of single and family deductibles continue only so long as the funds are available in what has been designated as the "County Co-Fund". In addition, employees shall be responsible to pay all other co-insurance amounts, which currently are paid from the County Co-Fund.

Specifically relevant features of the current insurance Plan 5, as modified by the labor contract, include a \$500.00 single deductible and a \$1,000.00 family deductible which the County "buys down" to a \$300.00 single deductible and a \$600.00 family deductible, 10%-90% co-payment for Select providers and 30%-70% co-payment for non-Select providers, drug co-payments of \$5.00 and \$10.00, and maximum out of pocket expense of \$1,500.00 single and \$3,000.00 family which, again the County "buys down" by payments from the County Co-Fund. In short, under the current system single coverage employees have a

maximum expense of \$300.00 and family coverage employees have a maximum expense of \$600.00 (family coverage is, of course, purchased by the individual employees).

In comparison, relevant features of the County proposed ISAC Plan 9 are a \$750.00 single and a \$1,500.00 family deductible, 20%-80% co-payment for Select providers, 40%-60% co-payment for non-Select providers, maximum out of pocket expense of \$1,500.00 for single and \$3,000.00 for family, drug co-pays of \$10.00 generic, \$20.00 brand name and \$45.00 formulary. In addition, current Plan 5 does not have a deductible for prescription drugs and proposed Plan 7 includes a drug deductible of \$50.00 single and \$100.00 family.

Under the Employer insurance proposal, employee deductibles of \$750.00 and \$1,500.00 will be reduced to \$300.00 and \$600.00 for so long as there are funds in the County Co-Fund. The employee will be responsible for payment of all other co-insurance amounts and presumably the drug deductible amounts. The Union vigorously resists the insurance change proposed by the County.

In the current bargaining unit of 23 persons, five people opt for family coverage. Under the current collective bargaining agreement, employees who desire family coverage are required to pay the full amount of the premium difference between single and family coverage. The employer pays the premium for those employees who desire single coverage. The County contends that only a small number of employees, if any, who are hospitalized with significant medical bills will see any "real" change in their insurance costs. It asserts that the majority of employees will not see any real change in their out of pocket costs. The County states in its Exhibit 5 as follows: "Based on the current balance in the insurance



reimbursement fund and the rate that the fund is declining, the County is relatively certain that the fund will last until June 30, 2005.”

On the other hand, the Union, through its Exhibit 10 claims that the insurance change adjusted for dependent coverage payments will reduce employee spendable earnings and that Decatur County will be 84¢ below average after taking into consideration increased employee contributions. The Union asserts that the effect of the County’s insurance proposal will decrease the current hourly rate for employees who require dependent coverage by at least 1.64%. The Union then projects that those employees who are forced to incur major medical expenses with respect to out of pocket maximums and drug deductibles could suffer a total hourly rate reduction as high as 9.85% (Union Exhibit 11). In contrast the County contends that the Union’s projections are not accurate because only 5 employees of 23 bargaining unit members require family coverage and the Union cannot assume maximum out of pocket expense being incurred by everyone as the result of significant illness or injury.

Currently those employees who desire family coverage incur a monthly cost difference between the single and family premium of \$550.00 per month. Under proposed Plan 9 the monthly cost for those employees will increase to \$577.00 per month. Thus, under the County’s proposal, single employee premiums will continue to be paid by the employer and employees who desire family coverage will have an increased cost of \$27.00 per month.

The Union maintains in its Exhibit 7 that of the nine comparable counties only one requires 100% family coverage payment as does Decatur County. The County responded

that the Union's position is misleading because there was no evidence as to the nature of the coverage in those other counties where a portion of the family coverage was being paid by the employer. Neither side presented any evidence to demonstrate the nature of dependent coverage being partially funded for employees in any of the other counties. Nonetheless, the Fact-Finder does find that all but one of the comparable counties contribute "something" to dependent coverage cost. At the same time neither party proposed at fact-finding that there be a change with respect to how the family coverage premiums are paid. Both parties have not attempted to change the fact that in Decatur County those desiring family coverage are responsible for payment of the entire premium difference between single and family. Redundantly stated, employees pay for family coverage now and neither party requested a change for the future.

The Union offered an Exhibit showing that six of nine comparable counties provide single dental insurance for employees. However, there is no fact-finding proposal requesting payment of dental coverage. The Fact-Finder accepts that exhibit as an assertion from the Union that other counties are currently contributing to insurance costs beyond mere payment of single health coverage. There is no dispute that all counties in the comparability group provide single health coverage to employees at County expense.

The parties have a significant dispute with respect to the existence and usage of the County Co-Fund. Supervisor Eastin testified that at "some time" in past negotiations, the Union proposed that it discontinue payments into the Co-Fund. He stated that at some point in time the Union in fact did cease payments to that Fund. Because the Union stopped its

contributions, he indicated that the County likewise discontinued voluntary payments. The Union contends that there was no contractual agreement to eliminate the Co-Fund and there was no mutual agreement with the County with respect to cessation of payments. While there may have been no voluntary payments, it is undisputed that when the County received settlement funds resulting from ISAC litigation, those funds were deposited in the Co-Fund. Regardless of the parties' contentions as to contribution or non-contribution to that fund, there is specific language in Article 24 of the current collective bargaining agreement which recognizes the fund. In Article 24 there is the following phrase: "The County Co-Fund will pay co-insurance amounts above the deductible." That contract language cannot be ignored. Certainly the Union and the County intended "something" when they voluntarily left it in the agreement. Up to this point in time the Co-Fund has been paying co-insurance amounts above deductibles, but neither party has submitted a plan to modify the practice. As close as one is able to come to a proposal regarding that funding is the County position that the Co-Fund will continue to exist until exhausted. Apparently this position occurs by reason of settlement funds remaining in the account. Regardless of the parties' intentions regarding its continued funding, I find that the Co-Fund has continued to be used for the purpose of defraying deductible costs and out of pocket maximums.

Further, the County maintains that there is no comparability evidence to support continuing reimbursement of a small number of employees for medical expenses (five persons with family coverage). It maintains that there is no real significant change in its insurance proposal because of the small percentage of affected employees. The County

asserts that the crux of its position is that employees, by comparability, should pay for some insurance (County Exhibit 7). The Union disputes that assertion and contends that Exhibit 7 is wrong because it omits the fact that in the present case it is the employee who is paying now.

Probably no issue has generated more controversy in public employee bargaining in the past few years than that of escalating health insurance costs. Positions of labor and management have become predictable before bargaining commences. Employers faced with staggering percentage increases in health insurance costs seek to modify coverage, increase deductibles or out of pocket maximums, or insist on increased employee cost participation. Labor vigorously resists such changes often contending that employer paid coverage is a benefit long enjoyed and for which labor has given wage or other concessions in the past. Unfortunately there is no easy, quick or simple solution. In the present case the dilemma is further increased by virtue of the fact that the present insurance coverage simply will not exist after June 30, 2004. The elimination of the coverage forced the County to seek another alternative. Conversely, the Union is unwilling to accept what it regards to be a drastic cost impact. The "heart" of the dilemma is found in the County Co-Fund. It remains identified in the contract but apparently neither side has been able to resolve the issue of if or how it should be funded. It is this central problem which causes the present Fact-Finder to reject both the County and the Union fact-finding proposals with respect to insurance.

Most arbitrators or fact-finders in recent years consider two primary factors with respect to insurance change or insurance cost relief. First is the requested change so extreme

that it cannot be accomplished in one contract year without severe economic impact on the employee? If so, this set of circumstances is generally rejected in favor of more gradual change which does not impoverish the employee. Second, is there a sufficient "quid pro quo" for the requested change which allow employees to absorb the financial impact without incurring serious economic consequences. If there is a sufficient quid pro quo, the tendency is toward allowing the change.

In the present case the problem is that the County does not believe that the change is extreme at all while the Union believes the change is somewhat drastic. The real question is whether the County proposed cessation of the Co-Fund by exhaustion is too drastic a change for its affected employees. The County has concluded that it is very unlikely that the fund will be exhausted during the contract year. The Union expresses very real concerns that some if not all of its bargaining unit members will ultimately suffer adverse economic consequences. Unfortunately, neither the County nor the Union nor the Fact-Finder have an accurate crystal ball which will tell us the nature and extent of illness, injury or hospitalization of the bargaining unit in the next contract year. It may be true that with low usage the fund will be intact for another year. However, if carried to the extreme, one could assume a mass outbreak of a highly contagious debilitating disease which would exhaust the fund in a very short period of time.

While it must be recognized by virtue of ISAC's elimination of the Plan 5, if nothing else, that the County needs to obtain some mitigation in escalating health insurance costs, the unknown side of its proposed solution is a bit harsh. There is not a sufficient quid pro

quo to ease possible financial repercussions on the bargaining unit. That is particularly true when the insurance change is coupled with the County wage proposal of no increase.

Under all of the above conditions and conclusions, the Fact-Finder is constrained to fashion a remedy which may appear to be a drastic change, but on analysis should maintain a some semblance of the status quo and allow the parties an opportunity to resolve their insurance dilemma through further negotiations.

I recommend that the County provide health insurance coverage through ISAC under Plan 9, Alliance Select, but with modification regarding the Co-Fund which allows that fund to continue to defray costs.

As was previously stated, while at first glance the insurance recommendation may appear to represent significant change, in reality it has the effect of maintaining the status quo while providing a funding "safety net" if catastrophic conditions prematurely exhaust the County Co-Fund.

In the event the County is right in its assertion that it is unlikely that the Co-Fund will be exhausted for the next contract year, the present recommendation should have minimal impact on the employees. If by chance the fund is exhausted, a \$12.00 monthly employee contribution (\$144.00 a year) when divided by 2080 hours represents a 7¢ per hour contribution. This is more than offset by a continuance of the deductible buy down provided by the fund and represents a reasonable sharing of insurance costs by employees. Further, given the present balance in the Co-Fund, it is very unlikely that employee contribution will be for the entire contract year so as to equate to a 7¢ per hour cost. Also, the County should

provide payments to the Co-Fund as are set out below.

### **INSURANCE RECOMMENDATION**

I recommend the following contract language with respect to the impasse issue on insurance:

#### **ARTICLE 24 INSURANCE**

After an employee has been employed by the Employer for thirty (30) calendar days, the Employer shall provide health insurance coverage under the Alliance Select 750 (Plan 9 ISAC) or a Plan with comparable coverage and benefit levels. The health insurance coverage includes a \$25,000 death and dismemberment provision and \$750/\$1,500 deductibles.

The Employer will pay the entire single coverage premium for a regular full-time employee. An employee will be provided the opportunity to purchase family coverage by paying the full family premium less the single premium.

The employee is responsible for paying a deductible of \$300.00 for single coverage and \$600.00 for family coverage. The County Co-Fund will pay additional deductible amounts of \$450.00 for single coverage and \$900.00 for family coverage and all co-insurance amounts above the total deductibles. Prescription drug deductibles to a maximum of \$50.00 single \$100.00 family will be paid by the employee.

If the County Co-Fund is exhausted, then each employee shall then contribute \$12.00 per month to the County Co-Fund by payroll deduction and the Employer shall contribute an amount at least equal to the total employee contributions for each month and if required by usage, such additional sums as will permit the County Co-Fund to continue to pay the additional deductible amounts of \$450.00 for single coverage and \$900.00 for family coverage and co-insurance amounts remaining above the total deductibles.

The Employer maintains the right to select the insurance carriers.

The Employer agrees to continue paying the premium for \$14,000 of Term Life Insurance for each eligible regular full-time employee.

The employee may voluntarily participate in the IRS Section 125 plan as it relates to dependent insurance premiums paid by the employee.

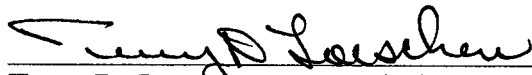
## **VII. SUMMARY OF RECOMMENDATIONS**

1. Wages - A 36¢ per hour across-the-board wage increase. This should allow the County to maintain its rank with respect to other comparable counties. For specifics see contract language recommended above.
2. Insurance - That the County shall provide health coverage under the Alliance Select 750 (Plan 9 ISAC) health insurance plan. Single premium coverage should be paid by the Employer. Family coverage may be purchased by the employee paying the difference between the single premium cost and the family premium cost. Presumably employees will have the benefit of Section 125 tax treatment with respect to family premium costs. Employees shall be responsible for payment of a \$300.00 single deductible and a \$600.00 family deductible with the County Co-Fund paying the remainder of deductibles above those amounts. The County Co-Fund shall continue to pay co-insurance amounts above the total deductibles. Employees shall be responsible for the payment of prescription drug deductibles to a maximum of \$50.00 and \$100.00 per contract year. If the County Co-Fund is exhausted, each employee shall then contribute \$12.00 per month to the Co-Fund and the Employer shall contribute an amount at least equal to total employee contributions each month and such additional amounts, if required, as will allow the Co-Fund to continue to pay down the deductibles to \$300.00 and \$600.00 and the remaining co-insurance amounts above the total deductibles. For specifics see contract language recommended above.



The parties are urged to accept the realities of escalating insurance costs and specifically urged to engage in productive contract negotiations to resolve this issue for the future in a manner mutually acceptable to each side. The best solution is undoubtedly one which is negotiated through the bargaining process.

Dated: April 12, 2004.

  
Terry D. Loessen, Fact-Finder

300 Farmers and Merchants Bank Building  
P.O. Box 1128  
Burlington, Iowa 52601  
PHONE: 319-752-6811  
FAX: 319-752-3243

CERTIFICATE OF SERVICE

I certify that on the 12th day of April, 2004, I served the foregoing Report of Fact Finder upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Ms. Renee Von Bokern  
2771 104th Street, Suite H  
Des Moines, IA 50322

Mr. Randy Schultz  
719 West Jackson Street  
Sigourney, IA 52591-1057

I further certify that on the 12th day of April, 2004, I will submit this Report for filing by mailing it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, IA 50309.

  
Terry D. Loeschen, Fact-Finder